

RECEIVED

20 OCT 14 AM 11:28

BEFORE THE ARKANSAS SECURITIES COMMISSIONER

CASE NO. S-19-0062

ORDER NO. S-19-0062-20-OR01

ARKANSAS SECURITIES DEPT.

IN THE MATTER OF:

HRH FINANCIAL, LLC
AND HOUSTON RAY HARRISON

RESPONDENTS

CONSENT ORDER

This Consent Order ("Order") is entered pursuant to the Arkansas Securities Act ("Act"), codified at Ark. Code Ann. §§ 23-42-101 through 23-42-509, the Rules of the Arkansas Securities Commissioner promulgated pursuant to the Act ("Rules"), and the Arkansas Administrative Procedures Act, codified at Ark. Code Ann. §§ 25-15-201 through 25-15-220, in accordance with an agreement between the Staff of the Arkansas Securities Department ("Staff") and the Respondents, HRH Financial, LLC ("HRH") and Houston Ray Harrison ("Harrison").

The Respondents admit the jurisdiction of the Act and the Arkansas Securities Commissioner ("Commissioner"), waive their right to a formal hearing and appeal, consent to the entry of this Order without admitting or denying the findings of fact and conclusions of law made herein, and agree to abide by its terms in full and final settlement of all claims that could be brought against them on the basis of the facts set forth herein.

FINDINGS OF FACT

Respondents

1. HRH, CRD No. 143974, is a limited liability company formerly registered as an investment adviser with the Arkansas Securities Department ("Department"). HRH has a principal place of business located at 2646 East Joyce Boulevard, Suite 2, Fayetteville, Arkansas 72703.

HRH was registered with the Department as an investment adviser from June 6, 2007 until May 31, 2019.

2. Harrison, CRD No. 2792744, is an Arkansas resident who most recently was registered as an investment adviser representative for HRH from June 6, 2007 until May 31, 2019. Harrison is the owner, principal, and chief executive officer of HRH. At all times relevant herein, Harrison was the only registered representative for HRH.

Background

3. On August 23, 2018, the Securities and Exchange Commission ("SEC") filed a Complaint in the United States District Court for the Southern District of Florida against 1 Global Capital, LLC ("IGC") and its owner, Carl Ruderman ("Ruderman"). The Complaint alleged that IGC and Ruderman conducted a four-year-long unregistered securities fraud that raised more than \$287 million from more than 3,400 investors.

4. IGC was a private company headquartered in Hallandale Beach, Florida. As a private company, IGC was not required to publish the same financial data required of public companies regarding the company's financial operations, condition, and outlook. The investments offered by IGC were not sold to investors through a registered broker-dealer and were not vetted or valued by a custodian. Rather, IGC sold its investments directly to investors through registered sales agents who received a transactional commission on the sale of each investment. The investments offered and sold by IGC, through sales agents, were not registered as securities with any securities regulator and did not meet the requirements for any exemption under state or federal securities laws.

5. IGC, through its marketing materials and sales agents, promised investors a high-return, low-risk investment in which IGC would use investor money to make short-term cash

advances to businesses that could not obtain more traditional financing. Instead, IGC used substantial investor funds for purposes other than the cash advances, including misappropriating funds for the personal benefit of Ruderman and other businesses owned and operated by Ruderman.

6. On November 28, 2018, a Final Judgment was entered against IGC enjoining the company from future securities violations. On August 13, 2019, a Final Judgment was entered by consent against Ruderman ordering him to make disgorgement to the SEC of \$32,587,166, together with prejudgment interest of \$1,517,273.00, and pay a civil penalty of \$15,000,000. In the aftermath of the SEC filing its Complaint, several IGC corporate officers and affiliate service providers have pleaded guilty to criminal charges for their part in perpetrating the investment fraud.

7. IGC has filed for Chapter 11 Bankruptcy. Estimates during the bankruptcy proceedings have set the total number of investors at 3,600 with up to \$340 million in investor losses. The bankruptcy proceeding has resulted in some distributions to defrauded investors, but these distributions have only amounted to 40% of the total amounts invested and lost to the scheme.

HRH and Harrison

8. An examination and investigation conducted by the Staff found that Harrison served as a sales agent for IGC and sold over \$2 million in IGC investments to approximately 25 investors. Harrison received upfront sales commissions of up to 3% on each investor's purchase of IGC investments.

9. In many cases, HRH and Harrison advised existing clients to liquidate securities held in accounts with HRH's designated custodian to fund the investments in IGC. Of these client investors, HRH and Harrison advised certain clients with low risk objectives and liquidity needs

to purchase IGC investments. In other cases, HRH and Harrison advised non-client investors to liquidate securities held with other broker-dealers or custodians to fund the investments in IGC. When soliciting the sale of IGC investments, Harrison, while believing information supplied by IGC, represented to many investors that the investments were low risk and offered a high return.

10. Harrison was not registered with the Department as an agent at the time he sold the IGC investments to investors.

LEGAL AUTHORITY AND CONCLUSIONS OF LAW

11. Rule 308.02(a) of the Rules states that investment advisers and representatives have a duty to act primarily for the benefit of their clients. Further, it shall be considered grounds for suspension or revocation of an investment adviser or representative to recommend to a client the purchase, sale, or exchange of any security without reasonable grounds to believe that the recommendation is suitable for the client on the basis of information furnished by the client after reasonable inquiry concerning the client's investment objectives, financial situation, and needs. HRH and Harrison violated Rule 308.02(a) of the Rules when they advised clients, some of whom had low risk objectives and liquidity needs, to liquidate securities held in an account with a custodian to purchase unregistered, non-exempt investments offered by IGC, a private company. HRH and Harrison also violated Rule 308.02(a) of the Rules when they advised non-client investors to cash out securities to purchase the IGC investments in exchange for a fee from IGC, which was the commission received by Harrison on the sale of the investment.

12. Ark. Code Ann. § 23-42-307(a)(3) states that it is unlawful for any investment adviser or representative to make any untrue statement of a material fact or omit to state a material fact necessary in order to make the statement made, in light of the circumstances under which it is made, not misleading. HRH and Harrison violated Ark. Code Ann. § 23-42-307(a)(3) when they

represented to investors that the investments offered by IGC were low risk and offered a high return, even though the investments were not registered and were offered by a private company for which financial data was non-public.

13. Ark. Code Ann. § 23-42-301(a) states that it is unlawful for any person to transact business as an agent in Arkansas without being registered with the Department pursuant to the Act. Harrison violated Ark. Code Ann. § 23-42-301(a) when he acted as an agent for IGC and sold IGC investments to investors in exchange for transaction-based commissions.

14. Ark. Code Ann. § 23-42-308(h) provides that matters may be resolved by consent order in lieu of a formal proceeding.

UNDERTAKINGS

In settlement of this matter, the Respondents agree to not apply for registration with the Department for a period of five calendar years from the date of May 31, 2019, which was the last day their respective registrations were effective, and agree that the Department shall not accept or grant any future registration applications from HRH or Harrison in any capacity until May 31, 2024.

OPINION

This Order is in the public interest. The facts as set forth in paragraphs one through ten support the violations of the Act as set forth in paragraphs eleven through fourteen.

ORDER

IT IS THEREFORE ORDERED that, in accordance with the Respondents' undertaking, HRH and Harrison will not apply for registration with the Department for a period of five calendar years from the date of May 31, 2019, which was the last day their respective registrations were

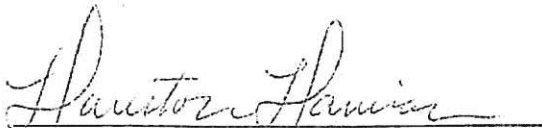
effective, and the Department shall not accept or grant any future registration applications from either HRH or Harrison in any capacity until May 31, 2024.

WITNESS MY HAND AND SEAL this the 13th day of October, 2020.



Eric P. Munson
Arkansas Securities Commissioner

I hereby agree to the entry of this Consent Order; consent to all terms, conditions, and orders contained therein; and waive any right to appeal from this Order.



HRH Financial, LLC, Respondent
By: Houston Ray Harrison, President/CEO

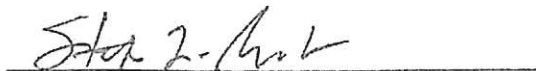
10/9/20
Date



Houston Ray Harrison, Respondent

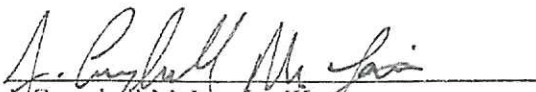
10/9/20
Date

Approved as to Content and Form:



Stephen L. Gershner
Attorney for the Respondents

10/12/20
Date



J. Campbell McLaurin, III
Associate General Counsel
Arkansas Securities Department

10/12/20
Date